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Judge Issues Order Barring Revenue From Advising Retailers on Sales Tax Exemption for British Columbia Residents

OLYMPIA – June 30, 2010 -- A Skagit County Superior Court judge issued a temporary restraining order today barring the Department of Revenue from advising Washington retailers that British Columbia residents will be able to buy goods in Washington without paying sales tax beginning July 1.

The Department earlier had announced that because the province was switching to a new tax system July 1, it no longer technically had a sales tax, so its residents would qualify for the tax break on products they purchase to take back to British Columbia.

The City of Bellingham and Whatcom County today filed a suit against the Department challenging the Department's interpretation.

Judge Susan Cook directed the Washington State Department of Revenue to notify retailers that a legal challenge has been made to the Department's opinion and that "the outcome of the pending litigation is unknown and that tax liability of retailers may be affected."

The order is directed only at the Department, but it warns retailers that they may be liable for any unpaid tax if at some future date the court determines that B.C. residents should not have been afforded the nonresident sales tax exemption available to states and provinces with a sales tax of less than three percent.

The Department will be updating its web site and other communications to notify the public that its interpretation is under legal challenge. The temporary restraining order is available at <http://www.cob.org/documents/issues/restraining-order.pdf>

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